

**SAMPLE UNILATERAL RATE RECOMMENDATION
WHEN RECENT RELEVANT DATA EXISTS**

MEMORANDUM FOR COMMANDER, _____

ATTENTION: _____

SUBJECT: Contractor's Failure to Comply with
FAR 52.216-7(d)(2)
Submission of Final Indirect Rate Cost Proposal By
[Contractor Name] _____
[City, State] _____

The subject contractor has failed to submit to this office for audit its certified incurred costs proposal(s) for the fiscal year(s) ending _____ as required by FAR 52.216-7(d)(2). In addition, the contractor has not responded to our repeated requests (copies attached).

In order to protect the governments financial interest, in accordance with FAR 42.703-2(c)(2) and FAR 42.705(c)(1), we recommend your office unilaterally establish final indirect cost rates for the subject fiscal years that are set low enough to ensure that potential unallowable costs are not being reimbursed.

Historically we have questioned __percent of incurred costs at [contractor name]. The recommended unilateral rates represent *(FAO explanation of basis for recommendations)*

| | Application | | |
|-------|-------------|-------|-------|
| Rate | Base | 19XX | 19XX |
| _____ | _____ | _____ | _____ |

We recommend immediate and continued use of the above rates to close completed contracts until the contractor completes its contractual responsibility of submitting a certified final indirect cost rate proposal for the subject years. After you make the unilateral indirect cost rate determination, we would be pleased to assist you in calculating the unilateral cost by contract.

{insert the following paragraph when the historical questioned costs is less than 20 percent}
However, we believe that just using a historical decrement may not fully protect the government's interest. The contractor has not fulfilled its contractual requirements to submit a proposal, has not certified to any costs, and a historical decrement based upon audit results does not account for any unallowable costs that the contractor may voluntarily delete from its submission. In our audit experience for FYs 2000 and 2001, the top 100 contractors with questioned costs who do submit and certify their proposals averaged questioned costs in excess of 20 percent. We believe that contractors who do not even submit proposals present a significant risk, and suggest you consider using the 20 percent decrement factor in determining the unilateral contract costs even if the contractor's historical questioned cost is lower.

Please direct any questions concerning this memorandum to _____,
Supervisory Auditor at _____.

Branch Manager

Attachments:

- Initial Request Letter
- 30-Day Late Letter
- 3 Month Late Memorandum
- 5 Month Late Letter